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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 01/03/07

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MAINICHI (Page 2) (Excerpts)
January 3, 2007

Takuji Nakata

Prime Minister Shinzo Abe and Foreign Minister Taro Aso are scheduled to travel separately to Europe in January. The prime minister will visit major nations of the European Union (EU), while the foreign minister will visit former socialist nations in East Europe, including Romania and Bulgaria. The aim of their visits is to add "a new diplomatic axis" to the ones that exist already with the United States and Asia, according to Aso. The prime minister's decision to travel to Europe first before going to the US is drawing attention.

Abe is to leave Japan for Britain on Jan. 9 on the first leg of his tour and meet with Prime Minister Blair. Afterwards, he will visit Germany on Jan. 10, Belgium on Jan. 11, and France on Jan. 12 for talks with the respective leaders there. In addition, he will meet with European Commission President Barroso.

Abe also has a plan to speak before the North Atlantic Treaty Organization's (NATO) Board of Directors meeting. In the speech, he

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will indicate his intention to actively promote cooperation between Japan and NATO.

Abe had the United Nations in mind when planning his European tour. By meeting with the leaders of Britain and France, he will have completed a series of talks with all the leaders of the permanent UN Security Council (UNSC) member nations. Abe wants to obtain the understanding of the permanent members about Japan's bid for a permanent UNSC seat. Since Japan's term of a nonpermanent UNSC member expired at the end of last year, Abe intends to seek the cooperation of current members so that Japan's views on the North Korea issue, in particular, will continue to be reflected in the UNSC.

Abe is to travel to traditional European nations, while Aso is scheduled to visit such countries as Romania and Bulgaria, both of which joined the EU on Jan. 1 this year. During his visits to the former communist nations, Aso will emphasize that Japan will help them in their efforts to have democracy take root. Last November, Aso unveiled the concept of "freedom and prosperity arc," as a policy measure to assist emerging democracies on the circumference of the Eurasian continent. He deems his planned tour of those countries as the first step toward giving shape to that concept.

- 2) Japanese government's responses to execution of former Iraqi President Hussein: Prime minister: "We'll continue assistance"; Foreign minister: "We hope to see national reconciliation"

ASAHI (Page 2) (Full)
December 31, 2006

Prime Minister Abe on Dec. 30 released a statement on the execution of former Iraqi President Hussein, in which he said, "Our country hopes to see Iraq overcome difficult tasks at home to become a stable country. We will continue assistance to that country in cooperation with the international community." On the other hand, a high-level government official pointed out: "If the execution were not carried out now, the timing for it might be lost. In short, it may imply that (Iraq's ruling power) was that dubious." From a

security point of view, the Japanese government intends to keep a tab on the domestic situation in Iraq.

On the same day, Foreign Minister Aso also released a statement noting that "I hope to see (Iraq), taking this occasion, overcome such difficult tasks as national reconciliation and security improvements to become a stable nation."

In Iraq, Japan has deployed Air Self-Defense Force (ASDF) troops at present, but depending on the circumstances, discussion on when to pull out those troops from Iraq may be enlivened.

3) Governments of Japan, China considering exchange of prime ministerial visits prior to Yasukuni Shrine's spring and fall festivals

MAINICHI (Page 1) (Excerpt)
January 1, 2007

The Japanese and Chinese governments have begun coordinating a possible exchange of visits by their prime ministers, timed to occur before the spring and fall festivals. The visits will reflect the Chinese government's intention to constrain Prime Minister Abe from paying homage at the shrine, so the visit by Prime Minister Wen

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Jiabao -- his first to Japan -- will likely occur in early April, and Prime Minister Abe will visit China in the fall to celebrate the 35th anniversary of normalization of relations between the two countries. There is also a plan being floated by the Chinese side of having President Hu Jintao travel to Japan before the end of 2007.

There has been a five-year hiatus in exchanges of prime ministerial visits, the last ones being Zhu Rongji's travel to Japan in Oct. 2000, and Prime Minister Koizumi's reciprocal visit in Oct. 2001.

4) Abe unlikely to visit Yasukuni Shrine on Aug. 15 with eye on China and South Korea

TOKYO SHIMBUN (Page 1) (Full)
December 31, 2006

Prime Minister Shinzo Abe is unlikely to visit Yasukuni Shrine on the August 15 end-of-the-war anniversary in 2007, according to government and Liberal Democratic Party sources yesterday. Abe will decide whether to make his shrine visit in the fall or later based on consideration of the domestic and international political situations at the time, particularly in connection with China and South Korea.

Abe's predecessor, Junichiro Koizumi, paid homage at the shrine once a year. In visiting the shrine, Abe intends to use Koizumi's once-a-year rule as a reference.

Abe last visited the shrine on April 15 when he was chief cabinet secretary. He can visit the shrine anytime in 2007.

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For this reason, Abe is expected to avoid visiting the controversial shrine in the first half of 2007 and on Aug. 15 in anticipation of strong reactions from China and South Korea.

Shortly after assuming office, Abe made landmark visits to Beijing and Seoul in October. This helped create a thaw in relations with the two countries that grew icy during the Koizumi era. Coordination is underway for a visit to Japan by Chinese Premier Wen Jiabao this spring.

Abe will determine whether he can obtain China's understanding about his shrine visit based on his meeting with Wen and other factors.

The dominant view is that if he decides to visit the shrine, he would do so sometimes between Oct. 17-20, which would coincide with the shrine's autumn festival. But he will not make public his visit, as he did this year. Abe noted on Dec. 28 at his official residence: "I have explained my feelings about visiting Yasukuni Shrine. There

has been no change in my feelings."

5) With expiration of UNSC term, tough challenges lie ahead of Japan's North Korea policy

TOKYO SHIMBUN (Page 2) (Abridged slightly)
January 3, 2007

Japan has lost its UN Security Council seat with the arrival of New Year. Japan's two-year term expired on Dec. 31, 2006. Japan fears that the loss of its UNSC seat will have a serious adverse effect on the North Korean issue.

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Many Foreign Ministry officials are taking this view: "There is a big difference between being in the Security Council and being outside of it."

The US Security Council consists of the five permanent members and 10 nonpermanent members. Japan has been serving as a nonpermanent member since 2000 representing Asia.

In the wake of North Korea's missile tests in July and its nuclear test in October, Japan took the initiative in adopting a UN resolution in collaboration with the United States. Such was possible because Japan had a UNSC seat.

The government intends to vocally call for talks on the North Korean issue with the permanent UNSC members plus Japan. Late last year, the UNSC adopted a resolution on the Iranian nuclear issue that had been drafted by Britain, France, and Germany -- not a UNSC member.

At the country's 50th anniversary of joining the UN, held late last year, Prime Minister Shinzo Abe expressed the government's eagerness to fulfill Japan's responsibility by becoming a permanent UNSC member. Japan will reattempt to win a permanent UNSC seat this year.

Japan is counting on the US. "The US visibly lacks enthusiasm for Japan's bid," a Foreign Ministry official complained. Given the situation, Japan is likely to find it difficult to secure a strong voice in the United Nations this year.

6) Possible new formula to resolve the northern territories issue, with Russia's first vice minister commenting: "Territorial issue with China was settled by dividing the area in two"; Japan, Russia probing the intentions of each other about partition plans

MAINICHI (Top play) (Excerpts)
January 3, 2007

Takuji Nakata

Prior to the Japan-Russia strategic dialogue -- vice-minister-level discussions of such issues as the disputed Northern Territories that may occur in late January -- a new formula to resolve the territorial issue is emerging that would shift from the past fundamental position of a return of the four islands or of two islands (Habomai and Shikotan). This new development came with the revelation that when New Komeito Representative Akihiro Ota was in Moscow last November, First Vice Foreign Minister Denisov in their meeting explained his experience to him that he had settled the territorial issue with China by dividing in half the disputed island bordering China. This remark has cropped up now because it came from a responsible Russian official who will join the upcoming strategic dialogue.

Ota and his group of lawmakers met with Denisov in Moscow on November 23.

According to an official concerned, Denisov stated: "President Putin is not going to freeze the territory issue. I hope both sides will look for conditions that will be mutually acceptable." Denisov explained that the disputed three islands between China and Russia over their possession were settled through talks in June 2005 by

means of dividing each of the islands in half.

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Ota and his group had earlier confirming with the Foreign Ministry that the Japanese side would not bring up a proposal for dividing the area in half, but Denisov in the meeting referred to such a proposal. So the Japanese delegation asked him, "Is it possible to apply that formula to the northern territories issue?" Denisov replied, "It's not a matter that will be resolved if a line is drawn. Both of us need to consider our respective public opinions." He reportedly remained cautious.

Later, however, when a New Komeito official exchanged views with another Russian diplomatic official on the territorial issue, that official, as well, became interested in that proposal, telling the New Komeito official: "Will Japan accept that (proposal for dividing the area)?"

7) Mizutani illicitly paid 1.5 billion yen to lawmakers' secretaries and gangsters to win contract bids for projects at Kansai and Chubu airports

ASAHI (Top play) (Excerpts)
January 3, 2007

Mizutani Kensetsu -- a second-tier general contractor based in Kuwana City, Mie Prefecture that has been charged with violating the Corporate Tax (tax evasion) -- used 1.5 billion yen of a 3.8 billion yen amount of income that it failed to declare to pay off organized crime group leaders and lawmakers' secretaries in order to win contract bids for construction projects at Kansai International Airport and Chubu International Airport, informed sources revealed. Investigators now have grasped the extent of the company's illicit payoffs. They have uncovered the company's involvement in large payoffs in the construction of the sea-based airports.

According to the sources, Mizutani was asked by a general contractor certain to win a Kansai airport construction project to disburse 1 billion yen from its slush funds as a requirement to become its subcontractor. The remaining 500 million yen was for the other airport in central Japan. The money was intended to convince influential general contractors to set aside construction work for Mizutani.

Identifying illegal financial transactions is difficult. Evidence suggests that investigative authorities have yet to confirm whether or not the 1.5 billion yen actually reached the parties Mizutani had in mind.

Mizutani allegedly avoided paying 1.14 billion yen in corporate taxes by concealing 3.8 billion yen in income for two years -- the terms ending August 2003 and in August 2004.

According to the sources, the company paid 500 million yen from its concealed income to a construction company in Aichi Prefecture to win a contract for Chubu Airport. Mizutani created a system to funnel the money to the construction company in Aichi Prefecture via two dummy corporations in Tokyo and Fukushima Prefecture to make it look like that its loans to those corporations had become uncollectible.

Apart from the 1.5 billion yen, Mizutani disbursed hundreds of millions of yen without entering the money in its books in order to settle local troubles that resulted in the process of procuring

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earth and sand in Mie Prefecture for the Chubu Airport project, according to the sources.

8) Opinion poll on Upper House election: 50% "support" ruling parties winning majority of seats

TOKYO SHIMBUN (Page 3) (Excerpt)

January 3, 2007

The Japan Research Institute, of which this newspaper is a member, carried out a face-to-face public opinion poll last December 2-3 to probe the view of voters on the upcoming election for the House of Councilors that is expected to take place this July. On the key question of the number of seats that the ruling parties will hold after the election, 50% of the eligible voters responded, "It would be better that they maintain their majority of seats," surpassing the 42% who thought it would be better if they lost their majority.

However, compared to the poll taken about two months prior to the Upper House election in July 2001, when 56% of the voters favored the ruling camp winning a majority of seats, the ruling and opposition camps seem evenly matched in the upcoming Upper House election, despite the overwhelming win by the ruling parties in the last Lower House election.

In response to the question how Prime Minister Abe should respond should the ruling parties lose their majority, 51% replied, "He should not resign but instead dissolve the Lower House and seek a vote of public confidence." Another 23% replied, "He should not resign but continue running his administration," while 20% said, "He should resign."

9) Nationwide opinion poll: 62% against regional bloc system; Low evaluation of large mergers of local governments during the Heisei Period

TOKYO SHIMBUN (Page 2) (Excerpt)

January 1, 2007

A nationwide poll carried out last Dec. 2-3 by the Japan Research Institute, of which this newspaper is a member, found that those opposed to the creation in about a decade of a regional bloc system (doushuusei) that would reorganize the prefectures in the country into broad administrative regions, to which the central government would transfer authority. This was double the percentage of those who favor such a system.

DONOVAN